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June 27, 1997

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JUN 27 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Mr. William F. Caton  
Secretary  
Federal Communications Commission  
1919 M Street, N. W.  
Room 222  
Washington, D. C. 20554

Re: Notice of Ex Parte Communication in CC Docket 96-98

Dear Mr. Caton:

Yesterday, on behalf of WorldCom, Inc., Catherine Sloan and Richard Fruchterman, of WorldCom, Joseph Gillan of Gillan Associates, and I of Hogan & Hartson, L.L.P., met with Donald Stockdale, Lisa Gelb, Kalpak Gude, and Jake Jennings, of the Common Carrier Bureau Policy Division, and Doug Slotten of the Competitive Pricing Division. We also separately met with Richard Metzger, Deputy Chief, of the Common Carrier Bureau and Jake Jennings.

In the meetings, WorldCom addressed questions related to the use of shared transport as an unbundled element to originate and terminate interexchange calls. WorldCom pointed out that the 1996 Telecommunications Act, the Commission's August 1996 order in CC Docket No. 96-98, and the FCC's rules all make it clear that unbundled network elements may be used by any telecommunications carrier to provide any telecommunications service, including exchange access, to itself or to others. 1/ We also pointed out that there is nothing in the Act or the FCC's order that would justify limiting the

1/ 47 U.S.C. § 251(c)(3). 47 C.F.R. § 51.307(c), 51.309(b).

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ability of requesting carriers to use "shared" or "common" transport as a network element in any way, including for exchange access. 2/

WorldCom also addressed the question of whether there is likely to be a significant reduction in interstate access revenues collected by incumbent LECs as a result of interexchange carriers having the ability to purchase shared transport as a network element and use it to self-provide interexchange access transport. Of course, considerations of revenue impact are irrelevant to the question of whether the ILECs have an obligation under the Act to provide shared transport to any requesting carrier for any purpose. We nevertheless address this argument because it has apparently been raised by other parties.

In our meetings, we pointed out that tandem-switched transport services make up a relatively small percentage of total interstate access revenues collected by the incumbent LECs, and that the switch to network element shared transport from tandem-switched access transport would have a minimal revenue impact on the incumbent LECs.

The attached charts, which were distributed at our meetings, estimate the maximum potential reduction in Ameritech's interstate access revenues that could result if every interexchange carrier immediately substituted shared transport (the unbundled element) for tandem-switched transport purchased under the Part 69 access tariffs. The chart uses current interstate rates for common transport (tandem-switched transport) for three of the Ameritech states and compares those rates with the rates that have been established in those states for local transport under Section 251(b)(5). 3/

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2/ For purposes of this letter, we use the term "shared transport" as shorthand to refer to the shared use of Ameritech's interoffice transport network. The term "shared" transport often is used interchangeably with "common" transport, and is the term used by the Commission in the Interconnection Order. See, e.g., Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, 11 FCC Rcd 15499, 15718, ¶ 440 (1996) ("Interconnection Order"), pets. for review pending sub nom. Iowa Utilities Board v. FCC, No. 96-3321 (8th Cir.). See also id., 11 FCC Rcd at 15631, ¶ 258 (referring explicitly to "common transport" network element).

3/ Because Ameritech has refused to provide shared transport as a network element (except to permit competing carriers to share a dedicated transport

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The chart applies those two sets of rates to the demand levels used by Ameritech in its 1997 annual access tariff filings to generate figures for the maximum revenue impact on Ameritech if every IXC were instantly to switch all its tandem-switched transport minutes to unbundled shared transport. The estimates for Indiana and Ohio were derived by applying the average reductions for the other three Ameritech states. The total maximum potential revenue reduction for all five states is about \$14 million, or *only half of one percent* of Ameritech's total interstate revenues from price cap services.

The second attached chart performs the same analysis, but this time compares shared transport rates with an estimate of the change in the tandem-switching rate that would take effect on January 1, 1998, under the terms of the FCC's recent Access Reform Order.<sup>4/</sup> Under this scenario, the revenue impact still would be minimal -- a total of about \$27 million for all five Ameritech states, or a drop of *just over one percent* in Ameritech's total interstate revenues from price cap services.

Thus, even with the estimate of the increase in tandem switching rates that would result from implementation of the Access Reform Order, the revenue impact on the incumbent LECs from a switchover by IXCs to unbundled shared transport would be minimal.

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circuit with each other), Ameritech's interconnection agreements in these states do not include a true "shared transport" or "common transport" network element pursuant to Section 251(c)(3).

<sup>4/</sup> Access Charge Reform, CC Docket No. 96-262, First Report and Order, FCC 97-158 (released May 16, 1997), petitions for review pending.

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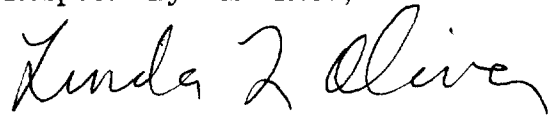
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I have hereby submitted two copies of this notice to the Secretary, as required by the Commission's rules. Please return a date-stamped copy of the enclosed (copy provided).

Respectfully submitted,

A handwritten signature in cursive script that reads "Linda L. Oliver".

Linda L. Oliver

Counsel for WorldCom, Inc.

Enclosures

cc: Richard Metzger  
Donald Stockdale  
Lisa Gelb  
Kalpak Gude  
Jake Jennings  
Doug Slotten

**Maximum Potential Revenue Reduction (Current Interstate Rates)**

Average Interstate Common Transport Rates					
	IL	IND	MI	OH	WI
Tandem	\$0.000862		\$0.001011		\$0.001044
Termination	\$0.000284		\$0.000298		\$0.000304
Mileage	\$0.000040		\$0.000040		\$0.000040
Section 251 Cost-Based Rates					
	IL	IND	MI	OH	WI
Tandem	\$0.000956		\$0.000744		\$0.000735
Termination	\$0.000193		\$0.000236		\$0.000190
Mileage	\$0.000012		\$0.000006		\$0.000014
1997 Interstate Access Demand					
	IL	IND	MI	OH	WI
Tandem	3478090392	1136729518	2817368909	2789213300	1332293721
Termination	4769793562	2990352605	3952245551	4197268433	2309640936
Mileage	74587286302	47833703246	118123046274	86462797752	51785716351
Maximum Revenue Impact					
	IL	IND	MI	OH	WI
Tandem	\$326,807	\$0	(\$752,124)	\$0	(\$411,409)
Termination	(\$435,006)	\$0	(\$245,650)	\$0	(\$262,216)
Mileage	(\$2,088,444)	\$0	(\$4,016,184)	\$0	(\$1,346,429)
Total	(\$2,196,644)	(\$1,375,603) <sup>1</sup>	(\$5,013,957)	(\$3,375,341) <sup>1</sup>	(\$2,020,054)
Total Potential Reduction			(\$13,981,598)		
Total Interstate Price Cap Services			\$2,548,607,033	-0.5%	

<sup>1</sup> Estimated based on average reduction in Illinois, Michigan and Wisconsin.

**Maximum Potential Revenue Reduction (Estimated 1/1/98 Interstate Rates)**

1/1/98 Estimated Interstate Common Transport Rates					
	IL	IND	MI	OH	WI
Tandem	\$0.001896		\$0.002224		\$0.002296
Termination	\$0.000284		\$0.000298		\$0.000304
Mileage	\$0.000040		\$0.000040		\$0.000040
Section 251 Cost-Based Rates					
	IL	IND	MI	OH	WI
Tandem	\$0.000956		\$0.000744		\$0.000735
Termination	\$0.000193		\$0.000236		\$0.000190
Mileage	\$0.000012		\$0.000006		\$0.000014
1997 Interstate Access Demand					
	IL	IND	MI	OH	WI
Tandem	3478090392	1136729518	2817368909	2789213300	1332293721
Termination	4769793562	2990352605	3952245551	4197268433	2309640936
Mileage	74587286302	47833703246	118123046274	86462797752	51785716351
Maximum Revenue Impact					
	IL	IND	MI	OH	WI
Tandem	(\$3,270,482)	\$0	(\$4,169,441)	\$0	(\$2,079,902)
Termination	(\$435,006)	\$0	(\$245,650)	\$0	(\$262,216)
Mileage	(\$2,088,444)	\$0	(\$4,016,184)	\$0	(\$1,346,429)
Total	(\$5,793,933)	(\$2,669,606) <sup>1</sup>	(\$8,431,274)	(\$6,550,458) <sup>1</sup>	(\$3,688,547)
Total Potential Reduction			(\$27,133,817)		
Total Interstate Price Cap Services			\$2,548,607,033	-1.1%	

<sup>1</sup> Estimated based on average reduction in Illinois, Michigan and Wisconsin.